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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SCI-06 AID-20 CEA-02 CIAE-00 COME-00

EB-11 EA-11 FRB-02 INR-10 IO-14 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 NSC-07 AEC-11 DODE-00 FEA-02 FPC-01 H-03

INT-08 L-03 PM-07 SAM-01 SS-20 STR-08 DRC-01 /216 W
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P R 312035Z MAY 74
FM USMISSION OECD PARIS
TO SECSTATE WASH DC PRIORITY 2879
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
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AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY VIENNA
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E.O. 11652: N/A
TAGS: EGEN, OECD
SUBJECT: OECD MINISTERIAL COUNCIL MAY 29-30: HIGHLIGHTS

1. SUMMARY. THE OECD MINISTERIAL COUNCILCHIEVED CENTRAL OBJECTIVE OF UNANIMOUS AGREEMENT ON THE CURRENT ACCOUNT DECLARATION WHICH WAS RELEASED TO PUBLIC MAY 30 WITH MINISTERIAL COMMUNIQUE (SEPTELS). WHILE SOME DIFFERENCES EMERGED ON THE HANDLING OF INFLATION AND ON DEVELOPMENT COOPERATION POLICIES, THESE WERE HANDLED THROUGH COMPROMISE LANGUAGE IN THE COMMUNIQUE. OTHER MEMBER COUNTRIES SEEMED NOTABLY LESS READY THAN US TO TAKE TOUGH MEASURES IN FIGHT ON INFLATION. TONE OF MEETING WAS FRIENDLY AND SERIOUS WITH ALL SPEAKERS EMPHASIZING NEED FOR COOPERATIVE APPROACH TO COPE EFFECTIVELY WITH SERIOUS ECONOMIC PROBLEMS IN PERIOD AHEAD. SATISFACTORY CONSEHSUS WAS ACHIEVED ON DEVELOPMENT COOPERATION POLICIES AND THE INVESTMENT/ MULTI-NATIONAL ENTERPRISE EXERCISE. DISCUSSIONON THE ENERGY ISSUE WAS ONLY PRELIMINARY AS EXPECTED. A NUMBER OF EUROPEAN COUNTRIES AND JAPAN URGED LARGER OECD ROLE IN THE ENERGY FIELD. END SUMMARY.

2. DECLARATION ON TRADE AND CURRENT ACCOUNT MEASURES. THERE WERE NO CHALLENGES TO OR CHANGES IN THE TEXTS OF THE DECLARATION ITSELF OR OF THE INTERPRETIVE NOTES WHICH HAD BEEN WORKED OUT IN ADVANCE.

3. ALL DELEGATIONS SUPPORTED THE NEED FOR DECLARATION AS CURB ON BACKSLIDING MEASURES FROM CURRENT LEVEL OF TRADE LIBERALIZATION AND AS IMPORTANT STEP IN IMPROVING CLI- MATE FOR FURTHER LIBERALIZATION IN MTN. THERE WAS WIDESPREAD AGREEMENT WITH OUR CHARACTERIZATION OF THE DECLARATION AS AN ACT OF "CONSTRUCTIVE STATESMANSHIP."

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4. THOSE MEMBER COUNTRIES - ITALY, DENMARK, ICELAND - WHICH HAD TAKEN RECENT UNILATERAL MEASURES WERE ON THE DEFENSIVE (THOUGH NOT CHALLENGED BY OTHERS), STRESSING THEIR PARTICULAR CIRCUMSTANCES AND INTENTIONTO MODERATE THESE MEASURES AS SOON AS THE SITUATIONLLOWED. OTHER COUNTRIES IN WEAK BALANCE OF PAYMENTS POSITIONS (E.G. UK, GREECE, NEW ZEALAND) SUPPORTED DECLARATION, BUT INTERPRETED IT NOT TO PRECLUDE CURRENT ACCOUNT ACTIONS TO CORRECT PERSISTENT IMBALANCE UNRELATED TO THE OIL PRICE INCREASES.

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5. INFLATION AND EMPLOYMENT. WHILE THERE WAS GENERAL AGREEMENT THAT INFLATION REPRESENTS A MAJOR WORLD-WIDE PROBLEM, DIFFERENCES REMAIN AS TO ITS FUTURE RATE AND THE POLICY MEASURES APPROPRIATE TO DEALING WITH IT. CEA CHAIRMAN STEIN ARGUED FOR THE FIRM AND SUSTAINED USE OF TRADITIONAL MEASURES OF FISCAL AND MONETARY RESTRAINT. HE POINTED OUT THAT STRONG STATEMENT BY OECD MINISTERS TO ACT IN THIS WAY WOULD BE A MAJOR FACTOR IN ARRESTING INFLATION AND FEAR OF INFLATION. WHILE NOT WISHING TO DISSUADEOTHERS FROM USING DIRECT CONTROLS OR OTHER SELECTIVE MEASURES HE ARGUED THAT SUCH POLICY INSTRUMENTS SHOULD NOT BE RELIED ON INSTEAD OF MORE FUNDAMENTAL DEMAND MANAGE-MENT POLICIES.

6. THERE WAS WIDESPREAD RELUCTANCE ON THE PART OF OTHERS TO ACCEPT THE POLITICAL HEAT FROM STRONG ESPOUSAL OF THIS "OLD TIME RELIGION." CAUTIOUS TONE

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REFLECTED IN COMMUNIQUE LANGUAGE ALTHOUGH FISCAL AND MONETARY POLICIES RETAINS PRECEDENCE OVER "THE NEED TO USE, WHERE FEASIBLE, OTHER, MORE SELECTIVE, MEASURES."

7. DEVELOPMENT COOPERATION. THIS ITEM WAS THE MOST CONTROVERSIAL OF A GENERALLY NON-CONTENTIOUS MEETING. DISCUSSION WAS PREMISED ON THE UNIVERSALLY ACCEPTED NEED TO INDICATE SYMPATHY WITH, AND WILLINGNESS TO ASSIST, THE LDCS HARDEST HIT BY THE OIL PRICE INCREASES. CONTENTION AROSE PRIMARILY OVER TWO POINTS IN COMMUNIQUE: (A) THE SECRETARIAT PRESSED HARD FOR THE INCLUSION OF A SPECIFIC TARGET FIGURE FOR ADDITIONAL AID TO TO BE PROVIDED BY MEMBERS OF THE OECDSDEVELOPMENT ASSISTANCE COMMITTEE. NETHERLANDS, UK AMONG STRONGEST SUPPORTERS OF INCLUSION OF TARGET FIGURE BUT ALL COUNTRIES EXCEPT US PRESSED FOR SOME FORM OF REFERENCE FIGURE. AFTER LENGTHY DISCUSSION IN SEPARATE WORKING GROUP OF DEVELOPMENT EXPERTS, MATTER WAS FINALLY COMPROMISED IN THE COMMUNIQUE DRAFTING GROUP, WHERE AN ORDER OF MAGNITUDE ($3 - 4 BILLION UP TO THE END OF L975) WAS

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CITED, BUT IN MOST HIGHLY QUALIFIED FORM.

(B) ALL DELEGATIONS EXCEPT US WANTED THE COMMUNIQUE TO INDICATE PROMINENTLY THE NEED FOR A SYMPATHETIC RESPONSE TO THE SIXTH SPECIAL SESSION OF THE UN GENERAL ASSEMBLY. IN FINAL COMMUNIQUE PHRASE "RECOGNIZING THE NEED TO CONTRIBUTE CONSTRUCTIVELY TO THE FOLLOW-UP OF THE SIXTH SPECIAL SESSION OF THE UN GENERAL ASSEMBLY" WAS INSERTED IN MIDDLE OF SENTENCE LINKING THIS REFERENCE TO DEVELOPMENT ASSISTANCE ASPECTS OF UN MEETING.

8. INVESTMENT/MULTINATIONAL ENTERPRISES. ASIDE FROM
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OUR OWN STATEMENT, THERE WAS LITTLE DISCUSSION OF THIS ISSUE, ALTHOUGH SOAMES DID COMMEND THE EXERCISE AND EMPHASIZED THE IMPORTANCE OF ITS TWO PARTS PROCEEDING IN PARALLEL. REVISED COMMUNIQUE LANGUAGE PRESENTED BY SECRETARIAT WAS WEAKENED SOMEWHAT FROM LANGUAGE EARLIER PROPOSED. DESPITE OUR STRONG LOBBYING EFFORTS IN THE DRAFTING GROUP, WE WERE UNABLE TO OBTAIN MAJOR IMPROVEMENTS IN THE LANGUAGE. COMMUNIQUE WELCOMES "THE INTENSIFICATION OF THE ORGANIZATION'S WORK" ON THESE ISSUES WHICH SHOULD PROVIDE SOME POLITICAL IMPETUS FOR ACCELERATED WORK IN THIS FIELD.

9. ENERGY. AS INTENDED BY SECGEN, THE DISCUSSION WAS PRELIMINARY, STOCK-TAKING IN CHARACTER, SINCE THE LONG-TERM ENERGY ASSESSMENT NOT YET COMPLETED. THERE WAS WIDESPREAD SUPPORT FOR - AND NO DISSENT FROM - THE TENTATIVE CONCLUSIONS SET FORTH IN SECRETARY GENERAL'S NOTE. ARTHUR HARTMAN SET FORTH THE US VIEWS, EMPHASIZING NO ALTERNATIVE TO COOPERATION IN ATTEMPTING TO RESOLVE ENERGY PROBLEMS.

10. JUST UNDER THE SURFACE OF THE PLENARY DISCUSSION WAS THE ISSUE OF THE RELATIONSHIP BETWEEN THE FUTURE WORK PROGRAM OF THE OECD TO THE WINDING UP OF THE ENERGY COORDINATING GROUP. A NUMBER OF DELEGATIONS NOT REPRESENTED ON FORM ECG ARGUED THAT THE OECD SHOULD
BE THE CENTER OF MULTILATERAL WORK IN THIS AREA.
GERMAN DEL POINTED OUT THAT THERE WERE ADVANTAGES TO THE WORK PROCEEDING ON SEVERAL LEVELS IN DIFFERENT FORUMS. FUTURE OF ECG, HOWEVER, WAS NOT EXPLICITLY ADDRESSED. ON PROCEDURE, A MAJORITY FAVORED THE SECGEN'S PROPOSAL THAT HE (RATHER THAN THE ENERGY COMMITTEE) TAKE RESPONSIBILITY FOR PRESENTING THE LONG TERM ENERGY ASSESSMENT TO THE COUNCIL. BUT THE QUESTION OF WHETHER A FALL L974 MINISTERIAL MEETING SHOULD BE CONVENED FOR THIS PURPOSE WAS DEFERRED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, AGREEMENTS, MINISTERIAL MEETINGS, COMMUNIQUES, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OECDP13382
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740138-0697
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974053/aaaaaceu.tel
Line Count: 279
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAR 2002 by collinp0>; APPROVED <08 MAY 2002 by golinofr>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD MINISTERIAL COUNCIL MAY 29-30: HIGHLIGHTS
TAGS: EGEN, OECD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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